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# **1975 ACTIVITIES**

Report of the Auditor General  
to the  
Joint Legislative Audit Committee

*California Legislature*



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Twenty years ago California's Legislature created the Joint Legislative Audit Committee and the Office of the Auditor General, and made us responsible for the independent audit function in California (Stats. 1955, Ch. 1699).

In 1954, the legislative and executive branches of state government recognized the need for two types of audits in California -- internal and independent. To establish sound fiscal and administrative policies, both branches of government needed straightforward information about program operations and expenditures.

Internal audits, coordinated within the executive branch would be directed by the Governor. Independent audits would be under the policy direction of a legislative committee.

Today, there are internal auditors in every major state agency studying, analyzing and recommending improvements in their own operations. Legislative committees are annually confronted with budget decisions affecting state agencies. Some of these decisions are made easier because independent reports on agency operations are available to the legislators.

Together, internal and independent audits complement rather than duplicate each other, acting as a system of checks and balances to improve the operating efficiency, economy and effectiveness of state agencies.

### ***Joint Legislative Audit Committee***

The Joint Legislative Audit Committee is bipartisan, and consists of four members of the Senate and four members of the Assembly. Under the Legislature's Joint Rules, the Senate and Assembly fiscal committee chairpersons are two of the eight members of the Joint Legislative Audit Committee. Senate members are appointed by the Senate Committee on Rules, and Assembly members are appointed by the Speaker of the Assembly.

Any legislative committee may request the Auditor General's Office to conduct an audit or special investigation. However, all such requests must first be authorized by the Joint Legislative Audit Committee. The Committee then establishes work priorities and directs the Auditor General to commence the audit.

## ***Auditor General***

Once a specific request is approved by the Audit Committee the Auditor General may "make such special audits and investigations, including performance audits, of any state agency whether created by the Constitution or otherwise". Our professional staff is trained to conduct in-depth interviews, to observe, and to review and analyze records to get the facts.

When we have assembled the facts, we submit to the Audit Committee an objective and nonpartisan report of our findings and recommendations. Our reports are a valuable resource, providing legislators systematic and timely information about executive program operations and results, unaffected by political pressures.



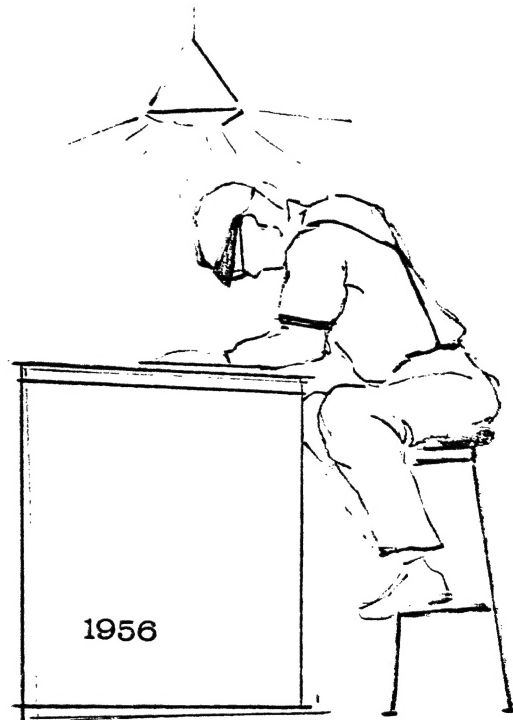


# WHAT WE DO

## ***Responsibilities & Objectives***

As directed by the Joint Legislative Audit Committee, the Auditor General conducts financial audits of state agencies determining if fiscal operations are properly conducted and if their financial statements are presented fairly.

When our work began in 1956 our audits concentrated on the traditional review of financial statements. After 1956, however, financial reporting in the executive branch improved; the scope of their own internal audits broadened to better serve management and the Legislature.



While financial reporting improved, legislators required more complete information on the Governor's programs. Moreover, they wanted to have this information provided, or at least concurred in, by someone who was not an advocate of the program but who was independent and objective. The Joint

Legislative Audit Committee responded to the Legislature and directed the Auditor General to conduct performance audits. In the past 10 years we have experienced a dramatic shift and development of our work from the traditional financial audits to the broad-scope performance audits.



The potential benefit from performance audits is tremendous:

- increased legislative understanding of selected programs
- improved government operations and services
- identification of ways to save money by increasing revenues or decreasing expenditures.

The objective of performance audits is to evaluate:

Legal Compliance

- Are programs administered in accordance with their governing laws?
- Do agency programs comply with legislative intent?

Efficiency and Economy

- Are programs administered using the least cost combination of public funds and other resources?
- Do programs duplicate or overlap each other?

Program Results

- Are desired program results or benefits being achieved?
- Do program costs exceed benefits?

Our goal is to help achieve the most efficient, effective and economical government possible. We provide the Legislature and the taxpayers with quality, independent audit reports presenting thoroughly documented facts and appropriate recommendations in an objective and timely manner.

The Chairman of the Joint Legislative Audit Committee may publicly release our audit reports 48 hours after the Committee members receive their copies. Reports are distributed to all legislators, the Governor and other elected officials, heads of state agencies, the press and anyone else who asks for them. We encourage wide distribution of our reports, understanding that it is public response that frequently brings about -- or speeds up -- needed governmental reform.

We serve as an independent source of information on the accountability of public administrators for their programs. The public -- who pays for and whose good is expected to be served by such programs -- should be able to hold public officials accountable for their performance. The Joint Legislative Audit Committee and the Office of the Auditor General provide the Legislature and the public one important means of accomplishing this objective.

## ***Audit Standards***

The Office of the Auditor General has adopted the standards developed and issued by the United States General Accounting Office (GAO), our counterpart at the national level. These standards are the product of extensive study of the auditing needs and practices of federal, state, and local governments, and are printed in the GAO booklet, Standards for Audit of Governmental Organizations, Programs, Activities and Functions.

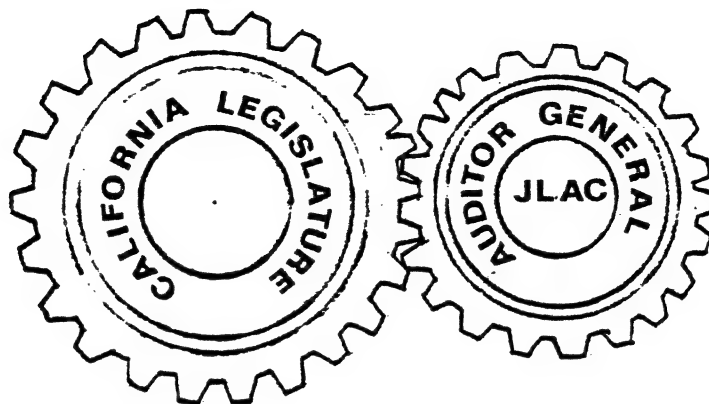
## ***The Staff***

Our professional audit staff is composed of men and women with a rich variety of backgrounds. Of the 39 positions currently filled, 16 are certified public accountants and one is a lawyer. Our staff has professional expertise in such fields as social welfare, budgeting, economics, electronic data processing, banking and finance, statistics, education, writing and editing, health, investments, and marketing.

In 1975 we hired four new auditors. Richard Howard had previous experience both with a law firm and national CPA firm. Linda Huffman joined us after graduation from college; Tommy Torres came to us from a local CPA firm, and Edwin Shepherd from the United States General Accounting Office.

During 1975 we bid farewell to eleven of our auditors who pursued various opportunities. Our losses included Brian Cahill, California Association of Children's Residential Centers; Tommy Torres, Assistant Manager, Mid-Cal Periodicals; C. Rud Felter; Jerry L. Bassett, Legislative Counsel's Office; Harvey M. Rose, Budget Analyst, City and County of San Francisco; Virgil W. Woods; Department of Finance; Phillip D. Freedman, teacher and student; Richard J. Nuanes; John H. McConnell; John P. Knapp; and William DeFazio, California Cascade.

# INTERACTION WITH THE LEGISLATURE



## ***Loans to Committees***

Assembly Committee on Finance, Insurance and Commerce -- Thomas P. Friery was assigned temporarily to work with other financial experts and committee staff. His time was spent helping to draft legislation allowing state and local investment authorities to lend investment securities through "security loans" and "reverse repurchase agreements." Mr. Friery devoted over 75 hours to this work.

Assembly Health Committee -- Donald P. Musante was temporarily assigned (40 hours) to provide technical assistance to the staff of the Assembly Health Committee. As a certified public accountant, Mr. Musante was able to advise the Committee on the financial status of the Mt. Diablo District Hospital.



## ***Committee Hearings***

During the past year we testified or appeared at numerous committee hearings on subjects covered by our audit reports. The Committees were often considering legislation originally recommended in our reports. Although we have no authority to implement our recommendations, we can contribute to the process by responding to legislative requests to participate.

### 1975 Appearances or Testimony Before Committees

<u>Date</u>	<u>Committee and (Chairman)</u>	<u>Subject</u>
February 17	Assembly Ways and Means (Foran)	Teale Data Center EDP Consolidation
February 18	Senate Agriculture and Water Resources (Way)	State Department of Food and Agriculture
March 17	Senate Finance (Beilenson)	California Milk Marketing Program
April 3	Senate Finance Subcommittee (Alquist)	Franchise Tax Board
April 3	Assembly Education (Greene)	Conejo Valley Unified School District Financial Problems
April 7	Assembly Finance, Insurance and Commerce (McAlister)	Southern Pacific Transportation Company's
December 18	Special Subcommittee on San Francisco Peninsula Rail Commuter Service (Papan)	Request to the Public Utilities Commission for a 111 percent rate increase

<u>Date</u>	<u>Committee and (Chairmen)</u>	<u>Subject</u>
May 7	Senate Health and Welfare (Gregorio)	Prepaid Health Plans under contract with the State
August 20, 25	Assembly Health (Keene)	Department of Health
May 6	Assembly Ways and Means (Foran)	Financial operations of horse racing associations
May 12	Assembly Finance, Insurance and Commerce (McAlister)	Policies and Practices of the Employment Development
June 10	Assembly Ways and Means (Foran)	Department for investing cash reserves of the Unemployment
August 6	Senate Industrial Relations (Zenovich)	Compensation Disability Fund
August 5	Senate Governmental Organization (Dills)	Negotiable certificates of deposit and commercial paper
June 16	Assembly Finance, Insurance and Commerce (McAlister)	Proposals to allow California state and local investment
August 12	Assembly Ways and Means (Foran)	authorities to increase interest income by temporarily lending
August 22	Senate Governmental Organization (Dills)	investment securities through "Security Loans" and "Reverse" Repurchase Agreements"
October 28	United States Senate Joint Hearing, Subcommittee on Health and Long-Term Care. (Congressmen Frank Moss and Claude Pepper)	Home-Health Agencies and Homemaker-Chore Services Program
November 10	Joint Committee on Fairs Allocation and Classification (Davis)	Exclusive Food and Beverage Contract-California State Exposition and Fair
December 12	Joint Committee on Aging (Chel)	Operations of the area agencies on aging. Alternative and less expensive methods of delivering services
December 18	Assembly Permanent Subcommittee on Energy (Goggin)	Public Utilities Commission Adjustment of electric rates for fuel-cost changes

## ***Legislation Affecting Us***

### BILLS CHAPTERED IN 1975

#### Assembly Concurrent Resolution No. 83, Chapter 57

Directed the Joint Legislative Audit Committee to use the staff of the Office of the Auditor General to investigate medical malpractice insurance underwriting and claims in California.

#### Assembly Concurrent Resolution No. 98, Chapter 69

Made \$1,763,000 available for expenses of the Joint Legislative Audit Committee.

#### Assembly Bill No. 2283, Chapter 1214

Authorized some state agencies to enter into security loan agreements. Required the Auditor General to audit the results of these security loan agreements and report to the Legislature on or before March 1, 1979.

### ACTIVE BILLS THAT COULD AFFECT THE AUDITOR GENERAL'S OFFICE

#### Assembly Bill No. 210 (Cullen)

Creates a new Joint Legislative Audit Committee with expanded responsibility for directing governmental auditing in California.

#### Assembly Bill No. 2586 (Cullen)

Allows employees of the Office of the Auditor General to participate in civil service promotional examinations.

#### Assembly Concurrent Resolution No. 90 (Papan)

Requires the Auditor General to review the proposal to increase retirement benefits of law enforcement and firefighters.

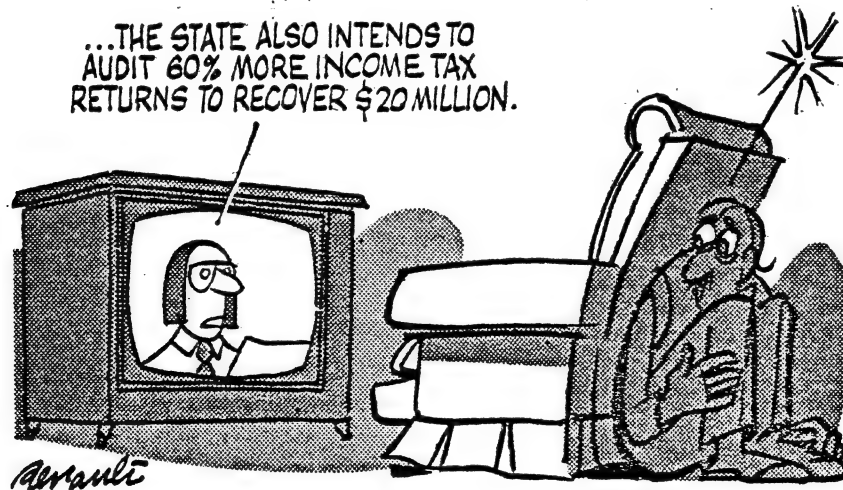
#### Senate Concurrent Resolution No. 6 (Roberti)

Directs the Auditor General to perform specific reviews of the Marketing Act of 1937 and make findings and recommendations to the Legislature. Would have required a report by December 2, 1975.

#### Senate Concurrent Resolution No. 7 (Roberti)

Requests the Auditor General to audit the expenditures of the Southern California Rapid Transit District. The report would have been due April 1, 1975.

## **REPORT SUMMARIES**



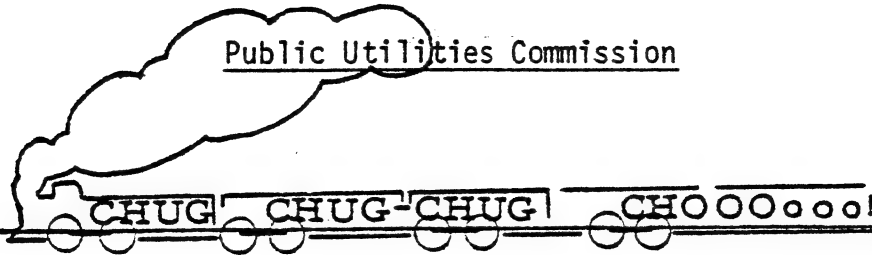
Courtesy of THE SACRAMENTO BEE

### Personal Income Tax

If you pay State income tax, you deal with the Franchise Tax Board. We reviewed the Board's practices and found that the State was not collecting millions of dollars in tax revenues each year. Computer tapes, information returns and partner returns were not being used to identify and collect taxes due from people who either underreported income or who did not even file a tax return. We further noted that the Board audited only about 50 percent of the tax returns necessary to achieve optimum coverage. Because of low staffing levels, many of 1974's 245,000 delinquent tax accounts -- representing over \$100 million -- will never be collected. Following release of our report, the Franchise Tax Board requested and received a budget augmentation to hire more staff and implement some of our recommendations. The Board itself estimates that this will result in at least \$10 million and possibly as much as \$20 million in additional revenue the first year.

215.1





The Southern Pacific Transportation Company operates a commuter train service between San Francisco and San Jose. When Southern Pacific asked the Public Utilities Commission for a 111 percent rate increase, outraged Peninsula commuters prompted a request for the Auditor General's staff to review the records included in Southern Pacific's rate increase application.

About half of the expenses we reviewed were either inadequately supported or incorrectly charged to the commute operations. For example:

- salaries of some employees were charged twice
- nearly \$400,000 for depreciation was included as an expense for locomotives and passenger cars already depreciated to their salvage value.

While some rate increase might be justified, we recommended that the PUC defer any increase until Southern Pacific presents their request supported by adequate and correct records.





## Transportation

The primary objectives of the Division of Aeronautics are to encourage the development of air transportation and to foster and promote aeronautics safety. Management personnel at the Department of Transportation have not required the Division of Aeronautics to adequately enforce aviation laws. Instead, they have allowed some airports to operate without permits and in violation of aeronautics laws. Reasons for this lack of enforcement are (1) formalized enforcement policy or procedures have not been developed, (2) the objectives and responsibilities of the Division may be incompatible, and (3) only a small enforcement staff is assigned to cover the entire state.

**239.1**



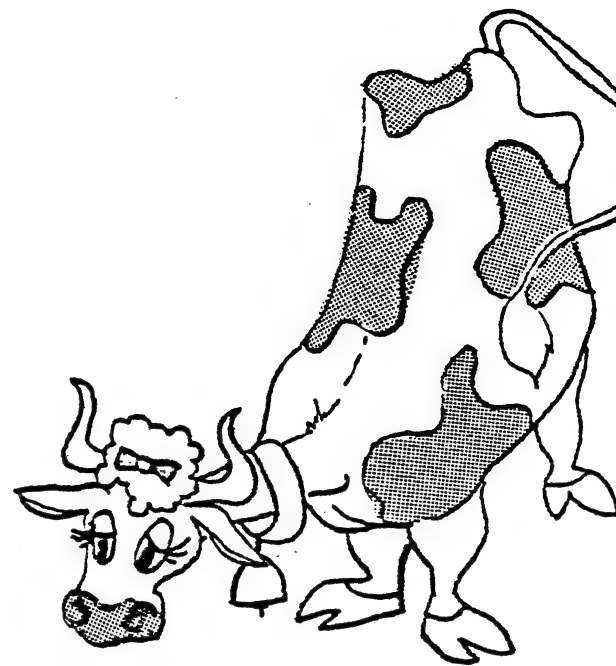


## Agriculture

Unhappy consumers brought the California Milk Marketing Program of the Department of Food and Agriculture to our attention. The State establishes minimum producer, wholesale and retail prices for milk.

A statewide survey of 204 supermarkets disclosed that because of the state-established minimums, the gross profit

from milk is higher than the gross profit from 44 of 47 other basic foods. Although State law prohibits selling dairy products at less than cost, the average retail price for such other staples as mayonnaise, flour, sugar, shortening, tuna and coffee was less than the average wholesale price for these items. Our reports recommended that minimum wholesale and retail prices be eliminated, and that the law prohibiting sale of dairy products below cost be repealed, so that California consumers, like consumers in some other states, might be offered specials of dairy products at prices below cost.



*John Doe*

**235.1**

**235.2**



## Social Services



In two years we issued three reports identifying serious problems in the State Office on Aging. The most recent report raised serious questions about the management of federal funds appropriated for elderly support services and nutrition programs, including such problems as (1) lack of professional staff, (2) high personnel turnover, (3) fiscal irresponsibility, (4) failure to actively encourage project applications from the elderly communities, and (5) unnecessary funding delays resulting in fewer meals for the elderly. For these programs to provide vital services to low-income and minority elderly, a few basic improvements -- stable leadership, strong direction, adequate fiscal control, and full assistance to the elderly community -- must be made.



## Social Services

California's Homemaker-Chore Services Program provides in-home care to certain aged, blind, or disabled adults. Services, such as household cleaning, shopping, cooking, laundry and other non-medical care, enable the recipients to remain in their own homes instead of an institution. We found that the Department of Health had not specified a means for classifying the services needed or the proper rate of payment for the services. In one county, "chore" services cost \$2.50 per hour, and in another county essentially the same services were called "homemaker" and cost \$6.00 per hour. Most recipients hire helpers directly, at salaries ranging from \$1.65 to \$2.51 per hour. The balance of the help is provided by county staff or by agencies under contract with the counties - with hourly rates of from \$3.39 to \$7.75. In addition to paying higher wage rates, contract agencies incur administrative expenses and make profits; therefore counties pay 105 to 209 percent more to contract agencies than they pay to recipient-employed providers. Members of our staff were called to Washington, D.C. to testify on this matter before a Joint Senate and House Subcommittee considering rules to expand the use of profit-making organizations. As a result of this testimony, a number of issues were brought to light with the expectation that the proposed rules will be revised to assure adequate controls over the services and their costs.

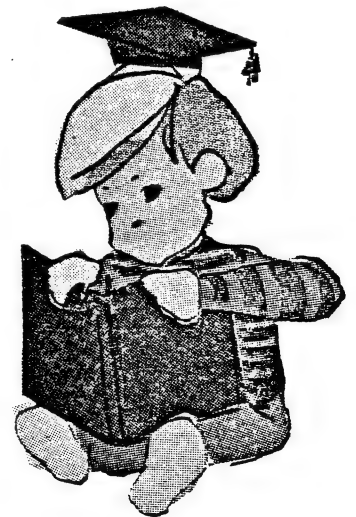




## Education

The effectiveness of the state's Mentally Gifted Minors Program could not be evaluated, because neither the Legislature nor the Department of Education developed goals or criteria to measure achievements. The program was not adequately administered by the State. Subjects selected by school districts for mentally gifted minors included pitching horse shoes, tennis lessons, guitar lessons, free choice of activities, juggling, supper-theatre tickets, meals and lodging in San Francisco, water fowl observation, gardening and knitting. Some of these subjects were only given for short periods of time, and, in the case of juggling, it was given in connection with hand-eye coordination. While we did not criticize or question the propriety of any of these subjects, we did point out that without good program administration, virtually any subject could qualify as appropriate for mentally gifted minors.

224





## Education

Legislative budget questions resulted in our review of the 22 state-owned residences provided to 17 administrators of the University of California and 5 administrators of the State University and Colleges. These residences not only house the administrators, but also are used for official functions. Our report did not contain findings or recommendations, and was issued for information purposes only.

*Built in 1928 and renovated in 1969, this 3-story structure has 3 bedrooms and 3 baths, and an area of 12,434 square feet. The 21-room house is in Kensington, about 3 miles from the Berkeley campus. The 10-acre site is used as an outdoor teaching and research laboratory by the University's Department of Landscape Architecture.*



President, University of California

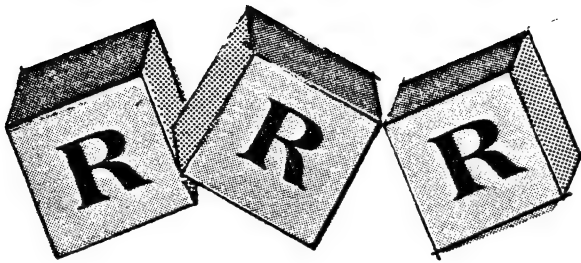
Chancellor, State University and Colleges

*Built in 1953, this single-story residence has four bedrooms, 4½ baths, and an area of 4,586 square feet. There is an attached 3-car garage, swimming pool, bath house, fenced tennis court, and separate guest cottage. The 10-room house is in a residential area of Los Angeles known as Bel Aire. The 1.94-acre lot is landscaped extensively with a variety of plants, trees and shrubs.*





## Education



Financial operations of the Fremont Unified School District were found seriously deficient of internal controls. To a large extent, the district's records were unauditable because of these deficiencies. Our report showing what can happen if control systems are not enforced is recommended to school board members, district superintendents and independent auditors alike.



## Medical Malpractice Insurance

On June 20, 1975, by Assembly Concurrent Resolution No. 83, the Legislature directed its Joint Legislative Audit Committee to investigate medical malpractice insurance underwriting and claims affecting physicians and surgeons in California. The staff of the Office of the Auditor General, with the services of Booz, Allen Consulting Actuaries, reviewed seven insurance companies which collected \$262 million in physician malpractice insurance premiums in California during the 15 years 1960 through 1974. Through 1974, these companies paid out approximately \$115 million in claims and claim expenses from this \$262 million revenue. However, there is an extended period between the year for which an insurance policy is written and the time a malpractice claim is made and settled. In some instances, this "tail", as the time-lag is referred to, may be as long as 16 years. Therefore, not all of the claims that may be made for those 15 years have been settled. Based on actuarial evaluations, the companies reviewed will actually incur ultimate losses of \$183 to \$400 million.

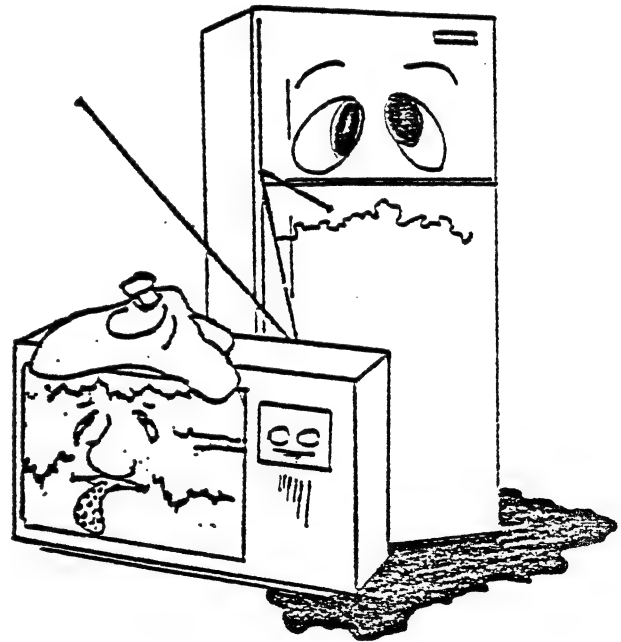
One underlying cause of the current "Malpractice Crisis" is that historically insurance companies have charged inadequate rates for malpractice insurance. Several insurance carriers stopped selling insurance in California because they were sustaining losses. In each case, another insurance company would enter the malpractice insurance field and continue charging inadequate rates even though loss data from previous carriers were made available to them. Apparently, the insurance companies have now realized that they can no longer continue this pattern, and are attempting to charge actuarially sound rates. Because these are, in some cases, 300 to 500 percent higher than the rates previously charged, the "crisis" has loudly surfaced.





If you own a television, refrigerator or radio antenna, you may find yourself dealing with the Bureau of Repair Services. The Bureau of Repair Services, as part of the Department of Consumer Affairs, regulates the practices of electronic service repair dealers, appliance service dealers and antenna service dealers. People in these fields repair or service television, records and playback equipment; refrigerators, freezers, ranges, washers, dryers, dishwashers and room air conditioners; and install, repair or service television and radio antennas or rotors. Although the Bureau of Repair Services is doing an adequate job representing consumers, our review disclosed administrative practices that do not promote effectiveness. The Bureau lacks the means to act effectively against incompetent service dealers, because there are no repair standards and anyone can enter the service field without being required to demonstrate technical competence.

236.2





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# **AUTHORITY**

## PERTINENT STATUTES RELATING TO THE JOINT LEGISLATIVE AUDIT COMMITTEE AND THE AUDITOR GENERAL

### GOVERNMENT CODE

#### Article 1. Joint Legislative Audit Committee

10500. The Legislature finds that auditing is now conducted by various state agencies and recognizes the needs of the executive branch of the state government for periodic and special audits of the revenues and expenditures of any state agency, and the accounting and fiscal reporting systems established in state agencies, as a means of insuring the proper and lawful expenditure of state funds. The Legislature, also, recognizes the necessity of an independent audit, in addition to the audit conducted within the executive branch of state government, for the use of both the executive and legislative branches of the state government in establishing a sound fiscal and administrative policy for the government of the state.

Therefore, it is the desire of this Legislature that the internal auditing be coordinated in the executive branch of the government in the interest of economy and efficiency. It is also the desire of the Legislature to create the office of the Auditor General, whose primary duties shall be to examine and report annually upon the financial statements prepared by the executive branch of the state and to perform such other related assignments, including performance audits, as may be requested by the Legislature. The authority of the office under the direction of the Joint Legislative Audit Committee is confined to examining and reporting and is in no way to interfere with adequate internal audit to be conducted by the executive branch of the government.

10501. The Joint Legislative Audit Committee is hereby created. The committee shall determine the policies of the Auditor General, ascertain facts, review reports and take action thereon, and make reports and recommendations to the Legislature and to the houses thereof concerning the state audit, the revenues and expenditures of the State, its departments, subdivisions, and agencies, whether created by the Constitution or otherwise, and such other matters as may be provided for in the Joint Rules of the Senate and Assembly. The committee has a continuing existence and may meet, act, and conduct its business at any place within this State, during the sessions of the Legislature or any recess thereof, and in the interim period between sessions.

10502. The committee shall consist of three Members of the Senate and three Members of the Assembly who shall be selected in the manner provided for in the Joint Rules of the Senate and Assembly. The committee shall elect its own chairman. Vacancies occurring in the membership of the committee between general sessions of the Legislature shall be filled in the manner provided for in the Joint Rules of the Senate and Assembly. A vacancy shall be deemed to exist as to any member of the committee whose term is expiring whenever such member is not reelected at the general election.



10503. The committee is authorized to make rules governing its own proceedings and to create subcommittees from its membership and assign to such subcommittees any study, inquiry, investigation, or hearing which the committee itself has authority to undertake or hold. The provisions of Rule 36 of the Joint Rules of the Senate and Assembly relating to investigating committees shall apply to the committee and it shall have such powers, duties and responsibilities as the Joint Rules of the Senate and Assembly shall from time to time prescribe, and all the powers conferred upon committees by Section 11, Article IV, of the Constitution.

Notwithstanding any other provision of law to the contrary, the committee shall establish priorities and assign all work to be done by the Auditor General.

10504. The committee shall have authority to appoint an Auditor General, deputies and staff, who shall serve at the pleasure of the committee. The committee shall fix the salary of the Auditor General. The funds for the support of the committee shall be provided from the Contingent Funds of the Assembly and Senate in the same manner that such funds are made available to other joint committees of the Legislature.

10505. The governing board or retirement board of the retirement system of every local agency as defined in Section 54951, shall on or before six months following the close of the fiscal year transmit to the committee a report containing a description of all securities held and a comprehensive report of transactions involving the investments of their retirement funds similar to that required of a life insurance company licensed to do business in California. Such report shall include all security transactions, including whom the board purchased securities from and through whom the board purchased. The board shall also so report on all mortgage transactions, including specifically the mortgage broker, mortgage banker, and savings and loan association the board does business with, whether the transaction involved cash, and which banks or savings and loan associations the board has accounts with.

## Article 2. Auditor General

10521. The Auditor General, prior to his appointment, shall possess the following minimum qualifications:

(a) He shall be in possession of a valid certificate issued by the State Board of Accountancy to practice as a certified public accountant or a public accountant, and

(b) The combination of education and experience which in the opinion of the committee is necessary.

10522. The Auditor General shall be paid the salary fixed by the Joint Legislative Audit Committee and shall be repaid all actual expenses incurred or paid by him in the discharge of his duties.

10523. The Auditor General may employ and fix the compensation, in accordance with Article XXIV of the Constitution, of such professional assistants and clerical and other employees as he deems necessary for the effective conduct of the work under his charge.



10524. The permanent office of the Auditor General shall be in Sacramento, where he shall be provided with suitable and sufficient offices. When in his judgment the conduct of his work requires, he may maintain offices at other places in the State.

10525. All books, papers, records, and correspondence of the bureau pertaining to its work are public records and shall be filed at any of the regularly maintained offices of the Auditor General, except:

(a) Papers or memoranda that are of no further use may be destroyed upon approval of the Joint Legislative Audit Committee.

(b) Personal papers and correspondence of any person receiving assistance from the Auditor General when such person has requested in writing that his papers and correspondence be kept private and confidential. Such papers and correspondence shall become public records whenever the Auditor General or the Legislature shall so order or the written request is withdrawn.

(c) Papers, correspondence or memoranda pertaining to any audit or investigation not completed, when in the judgment of the Auditor General, disclosure of such papers, correspondence, or memoranda will impede such audit or investigation.

10526. It shall be a misdemeanor for the Auditor General or any employee of the bureau to divulge or make known in any manner not permitted by law, any particulars of any record, document, or information the disclosure of which is restricted by law.

10527. The Auditor General during regular business hours shall have access to, and authority to examine, any and all books, accounts, reports, vouchers, correspondence files and other records, bank accounts, and money or other property, of any agency of the State whether created by the Constitution or otherwise, and it shall be the duty of any officer or employee of any such agency, having such records or property in his possession or under his control, to permit access to, and examination thereof upon the request of the Auditor General or his authorized representative. Any officer or person who shall fail or refuse to permit such access and examination, shall be guilty of a misdemeanor.

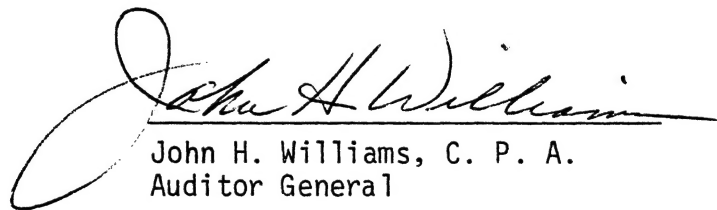
10528. The Auditor General, with the approval of the Joint Legislative Audit Committee, shall examine and report annually upon the financial statements prepared by the executive branch of the state to the end that the Legislature will be informed as to the adequacy of such financial statements in compliance with generally accepted accounting principles applied on a basis consistent with that of the preceding fiscal year. In making such examination, he is authorized to make such audit examination of accounts and records, accounting procedures and internal auditing performance as the Joint Legislative Audit Committee may determine and specifically designate to be necessary to disclose all material facts necessary to proper reporting to the Legislature in accordance with the statement of purposes set forth in Section 10500. He shall make such special audits and investigations, including performance audits, of any state agency whether created by the Constitution or otherwise, as requested by the Legislature or any committee of the Legislature.



JOINT RULES OF THE SENATE AND ASSEMBLY (1973-74)

37.3 The Joint Legislative Audit Committee is created pursuant to the Legislature's rulemaking authority and specific constitutional authority by Chapter 4 (commencing with Section 10500) of Part 2, Division 2, Title 2 of the Government Code. The committee shall consist of four Members of the Senate and four Members of the Assembly who shall be selected in the manner provided for in these rules, of which one shall be the Chairman of the fiscal committee for the Senate and one the chairman of the fiscal committee for the Assembly. Notwithstanding anything to the contrary in these rules, two members from each house constitute a quorum and the number of votes necessary to take action on any matter. The Chairman of the Joint Legislative Audit Committee, upon receiving a request by any Member of the Legislature or committee thereof for a copy of a report prepared or being prepared by the Auditor General, shall provide the member or committee with a copy of such report when it is, or has been submitted by the Auditor General to the Joint Legislative Audit Committee.

Respectfully submitted,



John H. Williams, C. P. A.  
Auditor General

March 16, 1976

Staff: Shirley C. Orechwa  
Patty Seto (Art)



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